

September 28, 2004

CENTRAL MAINE POWER COMPANY
Request for an Accounting Order for Deferral
of Costs Associated with Buyout of Certain
Power Partner Contracts

ACCOUNTING ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Order, we approve an Accounting Order for Central Maine Power Company (CMP) and allow it to defer the buyout payment with EES.

II. BACKGROUND

CMP and one of its Power Partners Program contract holders, EES, have reached an agreement for CMP to buy out six Power Partners Contracts. Under the agreement, CMP has agreed to pay EES a \$4,000,000.00 buyout payment as consideration for the termination of the Contracts. The nominal value of the Contract payments, which extend to 2012, is \$7,563,082. CMP requests that the Commission allow it to (i) defer the buyout payment as a regulatory asset, (ii) calculate and accrue monthly a return on the Buyout Payment, net of income taxes, at 12.22%, and (iii) to amortize the Buyout Payment as a conservation expense, including the return on investment, through June 2008.

III. DECISION

We grant CMP's request, with a clarification. The present value of the total contract payments extending to 2012 using the same 5% discount rate that is used to evaluate the conservation programs operated by the Commission is \$6,137,497. The present value of the Buyout Payment structure proposed by CMP, including its carrying cost and associated tax treatment, is \$3,946,340 when evaluated at that same 5% discount rate. Thus, the buyout as proposed by CMP represents a value in excess of \$2 million to ratepayers when evaluated in the same manner as our other conservation programs. CMP's proposed stream of payments approximates the expenditures that were anticipated when developing the overall Conservation Program budget and therefore do not interfere with the Commission's Conservation Program plan. Greater present value savings would be available to ratepayers through earlier repayment of the Buyout Payment. We will look for opportunities to retire this obligation earlier through a more rapid payment of the proposed amortization schedule so long as it can be accomplished without harming the implementation of our on going conservation programs.

Therefore, we grant Central Maine Power Company's request for Accounting Order. The Company may defer the Buyout Payment as a regulatory asset with carrying costs at the rate of return set in the Company's most recent rate case in which a rate of return was set, and recover the payment as a conservation expense through the conservation fund according to the schedule proposed in its filing. The Commission may in any month choose to increase the payment made under CMP's proposed amortization schedule and adjust the schedule accordingly.

Dated at Augusta, Maine, this 28th day of September, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.